

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-01

PA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 /089 W

-----072280 121604Z /53

R 111025Z MAR 78

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 7821

C O N F I D E N T I A L LUSAKA 0787

E.O. 11652: GDS

TAGS: EFIN EGEN ZA

SUBJ: MINISTER OF FINANCE CITES ZAMBIA'S CASH NEEDS

1. SPEAKING IN PARLIAMENT ON MARCH 9, ZAMBIAN MINISTER OF FINANCE, JOHN MWANAKATWE, SAID THAT ZAMBIA WILL NOT BE ABLE TO SURVIVE ECONOMICALLY IF THE GOVERNMENT FAILS TO FIND A SOURCE OF INCOME WITHIN A MATTER OF WEEKS. HE ADDED THAT THE NATION WAS ON THE BRINK OF ECONOMIC COLLAPSE UNLESS FUNDS COULD BE FOUND. HE GAVE ZAMBIA'S EXTERNAL PUBLIC DEBT AS KWACHA 5 #.5 MILLION (\$733.5 MILLION) AND INTERNAL PUBLIC DEBT AS KWACHA 742 MILLION (\$986.8 MILLION). ZAMBIA, HE SAID, OWES A "COLOSSAL DEBT" TO OUTSIDE COMPANIES FOR GOODS AND SERVICES ALREADY RECEIVED. MWANAKATWE STATED THAT NEGOTIATIONS WITH THE IMF FOR ASSISTANCE HAD BEEN TOUGH AND THAT NO AGREEMENT HAD YET BEEN REACHED.

2. WHILE MWANAKATWE HAS ALWAYS BEEN REASONABLY FRANK IN HIS PUBLIC REMARKS ON THE ECONOMIC SITUATION IN ZAMBIA, HIS STATEMENT IN PARLIAMENT WAS CONSIDERABLY MORE ALARMING THAN OTHERS HE HAS MADE IN THE PAST. HE SAID, FOR EXAMPLE, THAT UNLESS MONEY BECAME AVAILABLE, ZAMBIA WOULD NOT EVEN BE ABLE

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TO PAY FOR PETROL.

3. MWANAKATWE ALSO REFERRED IN HIS REMARKS TO STATEMENTS MADE BY SOME OFFICIALS ATTACKING CAPITALIST COUNTRIES AND FINANCIAL INSTITUTIONS. HE SAID THERE WAS LITTLE THE GOVERNMENT COULD DO TO STOP THESE STATEMENTS FROM SOME AUTHORITIES WHO MIGHT NOT BE CONVERSANT WITH FINANCIAL

MATTERS AS THESE PEOPLE WERE ENTITLED TO THEIR OWN OPINIONS.  
TWO OTHER MP'S COMPLAINED THAT THESE ANTI-CAPITALIST  
REMARKS WERE SCARING AWAY INSTITUTIONS AND NATIONS FROM  
GIVING ZAMBIA FINANCIAL ASSISTANCE.

4. COMMENT: MWANAKATWE AND THE OTHER MP'S ARE CLEARLY AIMING  
THEIR REMARKS AT PARTY OFFICIALS, INCLUDING PARTY SECRETARY  
GENERAL, GREY ZULU. MWANAKATWE AND OTHER EXECUTIVE BRANCH  
PRAGMATISTS STRONGLY RESENT THESE POLITICANS WHO INVIST  
ON STRICT ADHERENCE TO PARTY IDEOLOGIES AND FAIL TO TAKE  
INTO ACCOUNT ZAMBIA'S PRESENT ECONOMIC PROBLEMS. WE  
UNDERSTAND, FOR EXAMPLE, THAT ONE OF THE REASONS ZIMBIA  
AND THE IMF HAVE NOT REACHED AN AGREEMENT IS THE OBJECTION  
BY THE CENTRAL CTMMITTEE OF THE PARTY TO ACCEPTING THE  
APPOINTMENT OF IMF OFFICIALS TO THE BANK OF ZAMBIA, ONE OF  
THE IMF CONDITIONS FOR ASSISTANCE. THERE ARE SEVERAL POSSIBLE  
EXPLANATIONS FOR MWANAKATWE'S SHOCK LANGUAGE. HE MAY SIMPLY  
HAVE WANTED TO PUT ZAMBIA'S ECONOMIC PROBLEMS INTO THE SIMP EST  
TERMS IN HOPES THAT HIS MESSAGE WOULD FINALLY GET THROUGH TO  
HIS COLLEAGUES, (THE PERMANENT SECRETARY IN THE MINISTRY OF  
FINANAE QAID THAT THE MINISTER'S REMARKS WERE MADE "OFF THE  
CUFF" INDICATING THAT HE MAY HAVE BEEN SPEAKING OUT OF A SENSE  
OF PURE FRUSTRATION.)  
MWANAKATWE MAY ALSO HAVE BEEN LAYING THE ROUNDWORK  
AND JUSTIFICATION FOR A CONFRONTATION ON ACCEPTANCE OR  
REJECTION OF THE IMF CONDITIONS FOR ASSISTANCE. OBVIOUSLY  
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ZAMBIA AND THEMF DID NOT COME TO AN AGREEMENT WHICH  
INDICATES THAT SOME OF THE CONDITIONS HAVE NOT BEEN ACCEPTED  
AND WILL BE POLITICALLY UNPOPULAR. MWANAKATWE'S STATEMENT  
MIGHT HAVE BEEN A PREPARATORY STEP FOR RATIONALIZING  
COMPLIANCE WITH SOME OF THE DIFFICULT CONDITIONS LAID DOWN.  
END COMMENT.  
LOW

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCE, FINANCIAL STABILITY  
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**Decaption Date:** 01 jan 1960  
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